

Message Text

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PAGE 01 LONDON 07064 01 OF 02 091257Z

51

ACTION EUR-12

INFO OCT-01 ISO-00 SAJ-01 CIAE-00 COME-00 EB-07 INR-07

LAB-04 NSAE-00 SIL-01 TRSE-00 OPIC-06 /039 W

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R 091236Z MAY 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 0985

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION NATO BRUSSELS

USMISSION OECD PARIS

AMCONSUL BELFAST

AMCONSUL EDINBURGH

AMCONSUL LIVERPOOL

UNCLAS SECTION 01 OF 02 LONDON 07064

E.O. 11652: N/A

TAGS: ELAB, UK

SUBJECT: ONE AMERICAN ANSWER TO A BRITISH PROBLEM:
CHRYSLER OFFERS "NEW DEAL" TO 27,000 UK AUTOWORKERS

SUMMARY - IN A DRAMATIC EFFORT TO STAVE OFF A THREATENED
UNOFFICIAL STRIKE BY 4,000 MEN AT ITS ENGINE PLANT IN
STOKE, COVENTRY, THE CHRYSLER AUTOMOBILE COMPANY HAS UN-
VEILED AHEAD OF SCHEDULE A PROPOSED "NEW DEAL" FOR ALL
27,000 OF ITS WORKERS IN THE UK, A PACKAGE INVOLVING
PROFIT-SHARING, WORKER-PARTICIPATION AND OTHER PROPOSALS.
THE COMPANY, WHICH HAS BEEN PLAGUED BY LABOR DISPUTES FOR
MANY YEARS -- A PROBLEM IT SHARES WITH OTHER PLANTS IN
THE AUTO INDUSTRY -- HAS ALSO BEEN SUFFERING SERIOUS FI-
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PAGE 02 LONDON 07064 01 OF 02 091257Z

NANCIAL PROBLEMS AND HAS REPORTEDLY REQUESTED A 35 MIL-

LION POUND LOAN FROM A FINANCIAL INSTITUTION IN THE CITY.
WHILE THIS "BOLD NEW PROGRAM" -- AS CHRYSLER CALLED IT --
MAY NOT AVERT THE THREATENED STRIKE - OVER PAY - THE
LONGER RANGE POSSIBILITIES OF THE CHRYSLER PROPOSAL
CLEARLY REMAIN ON THE TABLE AND COULD, IF SUCCESSFUL,
HAVE MORE FAR-REACHING IMPLICATIONS. END SUMMARY

1. DON LANDER, MANAGING DIRECTOR OF CHRYSLER UK, UNVEILED
THE PROGRAM IN BROAD OUTLINE DIRECTLY TO THE COVENTRY
LOCAL UNION LEADERS. IT CALLS FOR THE SETTING ASIDE OF
A PORTION OF THE COMPANY'S PROFITS EACH YEAR TO BE PAID
TO WORKERS EITHER IN CASH OR SHARES, AT THEIR OPTION, AND
THE SETTING UP JOINT LABOR-MANAGEMENT COMMITTEES AT PLANT
AND COMPANY LEVEL TO DISCUSS ALL AREAS OF COMPANY OPERA-
TIONS AND PLANNING. WORKERS WOULD NOT HAVE TO SHARE LOS-
SES AND THE PLAN, IT WAS EMPHASIZED, WAS NOT PUT FORWARD
AS A SUBSTITUTE FOR COMPETITIVE RATES IN THE AUTO INDUS-
TRY.

2. THE CHRYSLER PROPOSAL WAS PUT FORWARD AHEAD OF TIME
IN ORDER TO DEAL WITH THE COVENTRY STRIKE BUT THE COMPANY
HAD IN MIND A LONG TERM SOLUTION TO LABOR PROBLEMS WHICH
HAD PLAGUED ITS OPERATION IN THE UK FOR MANY YEARS. IF
IT IS PUT INTO PLACE, IT WILL ALSO MEAN THE REVERSAL OF
CHRYSLER'S PREVIOUS DECISION NOT TO BUILD NEW VEHICLES IN
BRITAIN ABOUT WHICH SECRETARY OF STATE FOR INDUSTRY BENN
REPORTEDLY WAS VERY CRITICAL OF THE COMPANY.

3. THE NEW APPROACH TO LABOR RELATIONS BY CHRYSLER IS IN
TANDEM WITH ITS EFFORTS TO OBTAIN A 35 MILLION POUND LOAN
FROM FINANCE FOR INDUSTRY, THE CITY INSTITUTION BANK AND,
ACCORDING TO SOME OBSERVERS, WOULD ENHANCE THE POSSIBILITY
OF THE GOVERNMENT'S INVESTMENT IN THE FIRM. BUT THE PLAN
TO BUILD NEW VEHICLES IN THE UK, IT WAS MADE CLEAR BY
CHRYSLER, WILL DEPEND ON HOW THE UNIONS REACT -- NOT ONLY

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PAGE 01 LONDON 07064 02 OF 02 091317Z

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UNCLAS SECTION 02 OF 02 LONDON 07064

AT COVENTRY WHERE IT URGED THE WORKERS TO STAY ON THE
JOB -- BUT THROUGHOUT THE CHRYSLER UK SYSTEM.

4. RAY WILD, THE CONVENOR (LEADER OF THE SHOP STEWARDS)
FOR THE ENGINEERING UNION (AUEW) AT THE COVENTRY ENGINE
COMPONENT PLANT, SAID THAT THE PLAN WOULD NOT PREVENT THE
STRIKE FROM TAKING PLACE TODAY (MAY 9) AND THAT THE FIRST
OPPORTUNITY FOR THE UNION TO DISCUSS THE PROPOSAL WILL BE
NEXT WEDNESDAY. ANOTHER AUEW OFFICIAL, FRANK CHATER, SAID
HOWEVER THAT THE SENIOR LOCAL OFFICIALS WERE NOW "DUTY-
BOUND" TO CONVENE A MASS MEETING OF THE WORKERS AT COVEN-
TRY AND TO RECOMMEND CALLING OFF THE STRIKE IN ORDER TO
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PAGE 02 LONDON 07064 02 OF 02 091317Z

DISCUSS THE CHRYSLER PROPOSAL.

5. WHETHER THE PLAN WILL STOP THE STRIKE IS DOUBTFUL,
BUT IT APPEARS TO HAVE CONSIDERABLE APPEAL FOR THE CHRYS-
LER WORKERS IN THE LONGER RUN. PRESS DESCRIPTIONS OF THE
PROPOSAL INCLUDED "NEW DEAL", "FAR REACHING," "BOLD NEW
PROPOSAL" AND "REVOLUTIONARY" PLAN. WHILE THE FINE PRINT
HAS TO BE EXAMINED VERY CAREFULLY, IT IS CLEAR THAT THE
TWO PRINCIPAL ELEMENTS OF PROFIT-SHARING AND WORKER PARTI-
CIPATION COULD HAVE CONSIDERABLE IMPACT NOT ONLY FOR
CHRYSLER WORKERS BUT FOR WORKERS IN OTHER AREAS OF IN-

DUSTRY. THE CHRYSLER PROPOSAL PRECEDES IN TIME TO SOME EXTENT THE WORKER-PARTICIPATION PROPOSALS RELATED TO THE NATIONALIZATION OF THE AIRCRAFT AND SHIPBUILDING INDUSTRIES AND ARE EVEN FURTHER IN ADVANCE OF THE GOVERNMENT'S LONGER TERM INDUSTRIAL DEMOCRACY PLAN, WHICH IS YET TO BE INTRODUCED IN PARLIAMENT AND IS UNLIKELY TO BE UNTIL AFTER THE SUMMER BREAK.

RICHARDSON

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